New Continental Oil Company
OF CANADA LIMITED

ANNUAL REPORT FOR THE YEAR ENDED AUGUST 31, 1968

A member of the DYNAMIC GROUP

New Continental Oil Company
OF CANADA LIMITED

(Incorporated under the laws of Canada)

BOARD OF DIRECTORS

Robert Clive Brown	Calgary, Alberta
Frank Brown	Calgary, Alberta
Archibald Park Newall, Jr.	Calgary, Alberta

OFFICERS

Archibald Park Newall, Jr., President	Calgary, Alberta
Frank Brown, Vice-President	Calgary, Alberta
Eric F. Lowick, Secretary	Calgary, Alberta
Roger D. Paugh, Treasurer	Calgary, Alberta

HEAD OFFICE

210 - 736 - 8th Avenue S.W. .... Calgary 2, Alberta

AUDITORS

Clarkson, Gordon & Co. .... Calgary, Alberta

BANKER

The Royal Bank of Canada .... Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada .... Calgary, Alberta
Toronto, Ontario

STOCK EXCHANGE LISTING

Toronto Stock Exchange .... Toronto, Ontario

Report of the Directors

TO THE SHAREHOLDERS:

The annual report and financial statements of the Company for the year ended August 31, 1968 are presented herewith.

FINANCIAL

The financial statements accompanying this report are, for the most part, self-explanatory but the following comments are submitted pertaining thereto.

(a) Shut-in oil and gas wells drilled in the Bonnyville and Boyle areas of the Province of Alberta some fifteen years ago were abandoned or otherwise disposed of during the year under review. The remaining net book value of this investment was written off resulting in a net loss of $90,049 in respect of the Bonnyville properties and a net profit of $14,390 in respect of one shut-in gas well located at Boyle, Alberta.

(b) The Company disposed of its 12½% working interest in 19 sections of petroleum and natural gas leases in the Fort St. John area (Township 85, Ranges 17, 18 and 19, W6M) of the Province of British Columbia, including two small gas wells drilled thereon, in consideration of the cash sum of $113,594, realizing a cash profit of $61,495. Your Directors considered this transaction to be in the best interests of the Company and its shareholders in view of past experience in the area, the wells' potential and the high cost of installing production equipment and necessary pipelines.

(c) Cash earnings from operations during the current year were almost identical to the preceding year, on a comparative basis. However, a substantial decrease in gains arising from the sale of properties in comparison with the preceding year was largely responsible for a reduction in net profits to $52,979.

(d) It will be noted from the statement of source and application of funds which is included in the financial statements aforesaid that cash expenditures for all purposes during the year exceeded revenues by $550,995, thereby reducing working capital to $78,885 at the year end. This reduction in working capital arises, in the main, from an investment of $715,000 in 650,000 shares of the capital stock of Dynamic Petroleum Products Ltd.

(e) During the year the Company expended the sum of $506,982 for purposes of exploration and development activity as follows:

Drilling costs:		
Productive wells	$143,229	
Non-productive wells	92,645	$235,874
Acquisition of petroleum, natural gas and mining interests		112,689
Geological and geophysical survey expenditures		94,158
Lease rentals and other carrying charges		28,244
Production and other equipment - net		36,017
		$506,982

The Company is the beneficial owner of 1,025,000 shares of the capital stock of Dynamic Petroleum Products Ltd., which represents an investment of $2,215,000. The quoted market value of the said shares at August 31, 1968, the date of the accompanying balance sheet, was $1,537,000, whereas at the date of this report the quoted market value of the said shares has increased to $3,587,500.

Permo Gas & Oil Limited (parent company) is the beneficial owner of 3,452,433 shares or 57% of the issued and outstanding share capital of this Company.

EXPLORATION AND DEVELOPMENT

GENERAL

The much publicized oil discovery in the Prudhoe Bay area of Alaska has shifted the exploration front and the search for major oil reserves is in new basin areas in the Yukon, Northwest Territories, the Arctic Islands and offshore from both the east and west coasts where the oil and gas industry will expend vast sums in 1969. Your Company does not have the financial resources to extend its gas and oil exploration activity into these areas which involves tremendously high costs and this fact, together with rather disappointing results obtained from our exploration and development program conducted in the Rainbow oilfield area of the Province of Alberta, has resulted in a stepped up exploration program, in co-operation with associated companies, in the search for base and precious metals. Results attained to the date of this report are indeed encouraging and could materially affect the future prosperity of the Company.

DEVELOPMENT

In the Rainbow oilfield area of the Province of Alberta the Company, in co-operation with Consolidated East Crest Oil Company Limited and Dynamic Petroleum Products Ltd., each as to an undivided 33 1/3% interest, acquired two petroleum and natural gas leases, being the west half of Section 9 and the northwest quarter of Section 34, both in Township 110, Range 7, W6M., at a Crown sale held in January, 1968 for a total bonus payment of $330,000. A detailed seismic survey was conducted over these lands but notwithstanding, two non-productive wells were drilled thereon during the year under review.

The Company and associated companies participated with Imperial Oil Limited in the drilling of one successful oil well in Section 28-110-7-W6M and New Continental is now the owner of a one-third interest in three producing wells and a one-sixth interest in one producing well, all situate in the Rainbow area of the Province of Alberta, together with the interest in producing properties, including producing royalty interests, as more particularly listed elsewhere in this report.

EXPLORATION

SASKATCHEWAN URANIUM OPERATIONS

In 1967 New Continental and associated companies completed an extensive preliminary uranium exploration program covering the entire Athabasca Sandstone area of northern Saskatchewan comprising some 25 million acres. This program involved the flying of approximately 15,000 linear miles of traverses across the subject area using aircraft owned by our group of companies which was equipped with the latest and most modern uranium detection equipment. Results obtained were then interpreted by Seigel Associates Limited of Toronto, consulting geophysicists, and by company geologists.

Following completion of the aforesaid exploration program and the interpretation of the results thereof a joint mineral exploration agreement was entered into with Gulf Minerals Company, a wholly-owned subsidiary of Gulf Oil Corporation, Pittsburgh, U.S.A. Pursuant to the terms of this agreement Gulf conducted an extensive on-the-ground exploration program employing surface geological parties, four diamond drilling crews and support aircraft.

On December 3, 1968 Gulf issued a press release at a press conference attended by the Premier of the Province of Saskatchewan, in Regina, Saskatchewan, to announce that it had drilled an exploratory hole in which it had encountered ore grade uranium mineralization. Such hole was drilled at an angle for a depth of approximately 500 feet and a gamma ray log showed an equivalent average grade of approximately 0.6% uranium oxide (U_3O_8) in selected zones totalling 195 feet. The ore grade indicated is reported to be three times better than that found at Beaverlodge, Saskatchewan, and at least four to five times better than Elliot Lake, Ontario. (Reference should be made to our Special Report on Uranium dated December 4, 1968 which was mailed to all shareholders of record.)

The discovery above mentioned triggered a rush on the part of other individuals and companies unprecedented in the history of the Province of Saskatchewan, to file on mineral exploration permits in the said Athabasca Sandstone area, all of which had been covered by the airborne radiometric survey conducted by our group of companies. This discovery could very materially affect the future prosperity of this Company and its shareholders.

Gulf Minerals Company at the date of this report is preparing to re-enter the area in order to determine the extent of the aforesaid discovery and to continue its exploration program over a minimum of 1,800,000 acres which are subject to the terms of our

agreement. The Company plans to keep all shareholders informed as to the progress of the work and results attained, as and when concrete information is available, through the medium of special reports.

Included in this report is a map of the Athabasca Sandstone area including the Wollaston Lake uranium area of the Province of Saskatchewan showing thereon all mineral exploration permits issued to the date of such map according to the best of our information and belief. Insofar as the mineral exploration permits subject to our agreement with Gulf Minerals Company are concerned, which at the date hereof comprise a minimum of 1,800,000 acres, New Continental will have a direct 12½% interest in 20% of the net profits accruing under the terms of the said agreement.

In addition to the interest in lands subject to the aforesaid agreement with Gulf Minerals Company, New Continental and Royal Canadian Ventures Ltd., each as to an undivided 50% working interest, acquired three mineral prospecting permits in the Wollaston Lake uranium area comprising approximately 535,000 acres as shown on the map accompanying this report. An agreement covering two of the said permits has been entered into with Excel Petroleums Ltd., a subsidiary of Commonwealth Petroleum Services Ltd., pursuant to the terms of which Excel has acquired a 40% undivided working interest in each permit subject to their expending on each permit on or before December 31, 1972, the sum of $850,000 by way of exploration and development. Royal Canadian Ventures Ltd. is the operator of this project.

OTHER MINING OPERATIONS

New Continental in co-operation with associated companies is continuing its exploration program and the acquisition of mineral claims in the Province of British Columbia through an exploration office established in Kamloops, B.C., and is also participating in exploration programs on the ground and in the air over areas in the Provinces of Alberta and Saskatchewan and in the Northwest Territories in the search for uranium and other minerals.

Again, we wish to express our appreciation to all employees and shareholders of the Company for their continued interest and loyal support.

Respectfully submitted
on behalf of the Board.

A. P. NEWALL, Jr.

President

Calgary, Alberta
January 27, 1969.

New Continental Oil Company of Canada Limited

ACREAGE HOLDINGS

at August 31, 1968

EXPLORATORY ACREAGE	Gross Acres	Net Acres
Alberta	28,010	7,121
Saskatchewan	23,690	1,315
British Columbia	3,874	3,874
	55,574	12,310

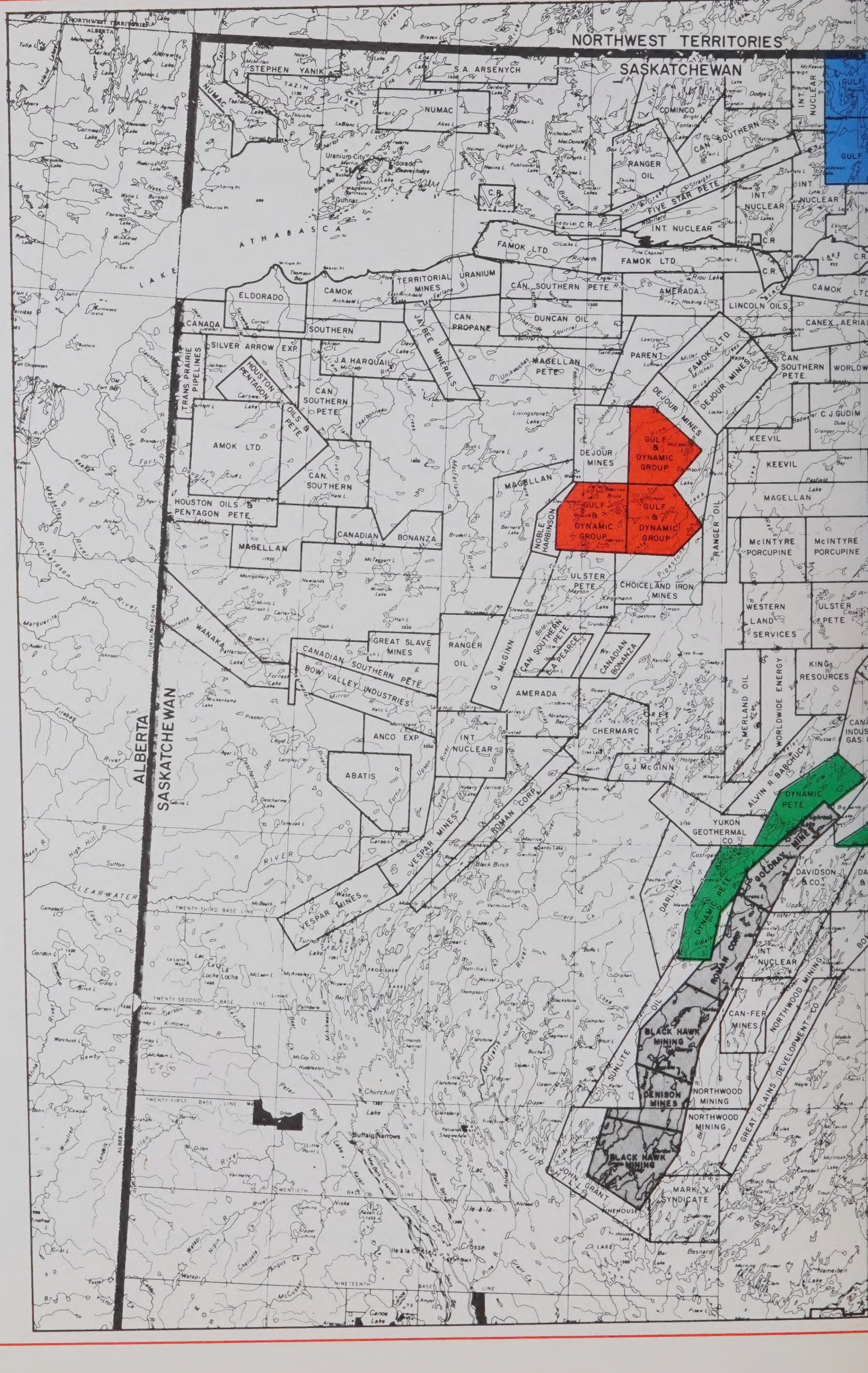
PRODUCING PROPERTIES			Working Interest %
Alberta			
Lochend	1,600	467	29.2308
Rainbow	320	53	16.6666
Rainbow	480	160	33.3333
Saskatchewan			
Dodsland	960	960	100.0000
Eagle Lake Viking Voluntary Unit			4.2222

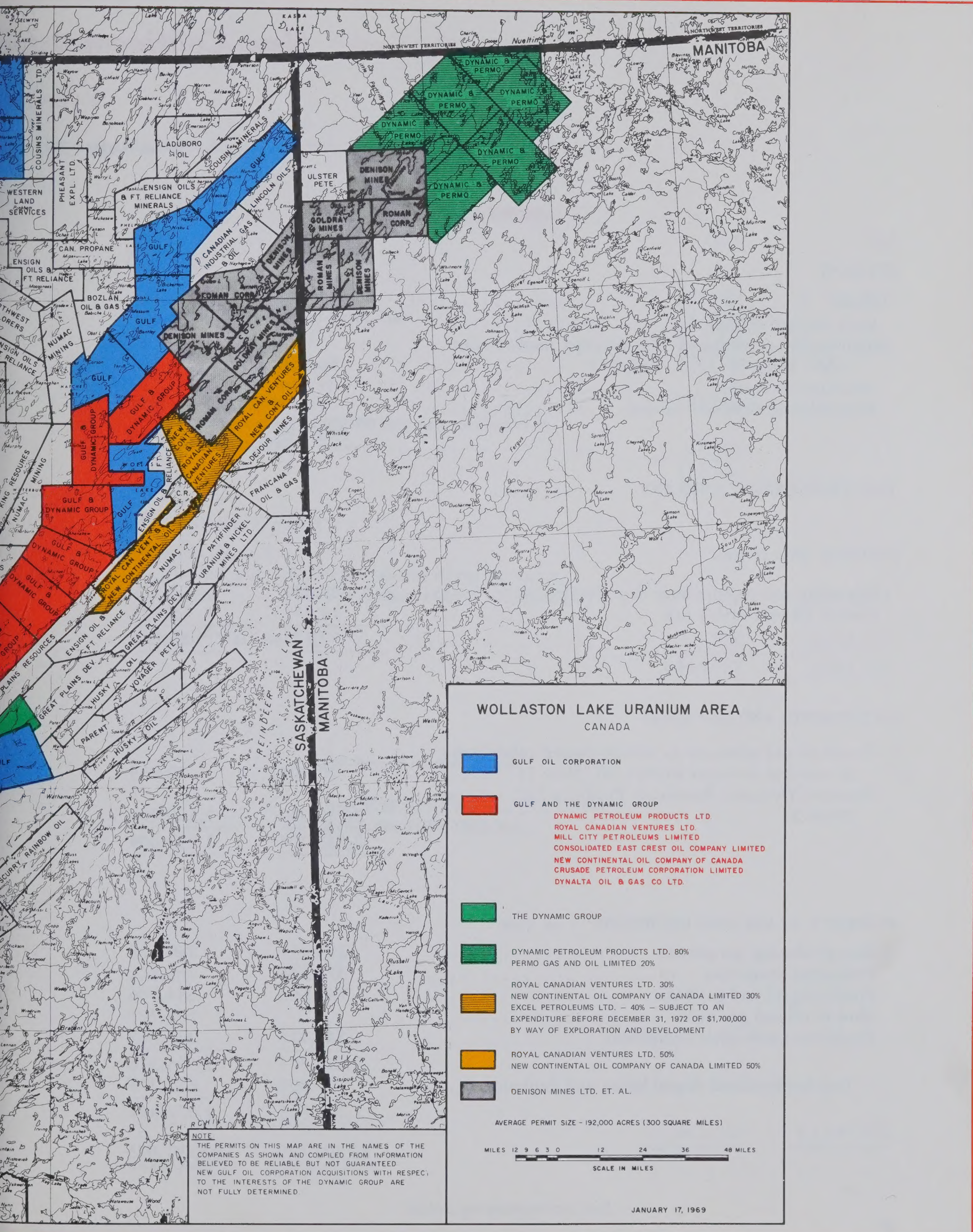
ROYALTIES

Producing and non-producing gross and net royalties on properties in Western Canada of which the most significant are:

1. Leduc - Various gross and net royalties on D-2, D-3 and lower Cretaceous producing wells most of which are unitized.
2. 2% gross on 32,820 acres covering producing wells in the Milligan Creek, Willow and Wildmint fields.
3. 2½% gross on 41,036 acres covering producing wells in the E. Peejay field and Bulrush area.
4. 3% gross on 544,529 acres of permits in the Northwest Territories

MINING	Gross	Net	Working Interest %
Vancouver Island Permits	126,314 acres	18,045 acres	14.2857
B. C. - Mineral Claims	464 claims		14.2857
Mineral Leases	2 leases		14.2857
Sask. - Mineral Exploration Permits	1,728,000 acres		12½% interest in 20% defined net profits interest
Sask. - Mineral Exploration Permits (Wollaston Lake)	345,000 acres		50% working interest
COAL PERMIT			
Montana	5,084 acres	508 acres	10.0000


NORTHWEST TERRITORIES
SASKATCHEWAN
ALBERTA
SASKATCHEWAN
FOURTH MERIDIAN
STEPHEN YANIK
S.A. ARSENYCH
NUMAC
NUMAC
COMINCO
CAN. SOUTHERN
RANGER OIL
INT. NUCLEAR
GULF
GULF
C.R.
FIVE STAR PETE.
INT. NUCLEAR
FAMOK LTD.
FAMOK LTD.
INT. NUCLEAR
C.R.
LAKE ATHABASCA
ELDORADO
CAMOK
TERRITORIAL URANIUM MINES
CAN. SOUTHERN PETE.
AMERADA
LINCOLN OILS
CAMOK LTD.
CANADA
SOUTHERN
CAN. PROPANE
DUNCAN OIL
CANEX AERIAL
SILVER ARROW EXP.
TRANS PRAIRIE PIPELINES
HOUSTON PENTAGON
J.A. HARQUAIL
JAY BEE MINERALS
MAGELLAN PETE.
PARENT
FAMOK LTD.
DEJOUR MINES
CAN. SOUTHERN PETE.
WORLDWIDE
OILS & PETE.
CAN. SOUTHERN PETE.
DEJOUR MINES
C.J. GUDIM
AMOK LTD
GULF & DYNAMIC GROUP
KEEVIL
KEEVIL
DEJOUR MINES
CAN. SOUTHERN
MAGELLAN
MAGELLAN
HOUSTON OILS & PENTAGON PETE.
NOBLE HARBINSON
GULF & DYNAMIC GROUP
GULF & DYNAMIC GROUP
RANGER OIL
McINTYRE PORCUPINE
McINTYRE PORCUPINE
CANADIAN
BONANZA
MAGELLAN
ULSTER PETE.
CHOICELAND IRON MINES
WESTERN LAND SERVICES
ULSTER PETE.
WANAKA
GREAT SLAVE MINES
RANGER OIL
G.J. McGINN
CAN SOUTHERN PETE.
A. PEARCE
CANADIAN BONANZA
MERLAND OIL
WORLDWIDE ENERGY
KING RESOURCES
CANADIAN SOUTHERN PETE.
BOW VALLEY INDUSTRIES
AMERADA
CHERMARC
ANCO EXP.
INT. NUCLEAR
G.J. McGINN
ALVIN R. BABCHUCK
ABATIS
DYNAMIC PETE
YUKON GEOTHERMAL CO.
ROMAN CORP.
VESPAR MINES
VESPAR MINES
DARLING
DYNAMIC PETE
GOLDRAY MINES
DAVIDSON & CO.
ROMAN CORP.
INT. NUCLEAR
CAN-FER MINES
NORTHWOOD MINING CO.
BLACK HAWK MINING
SUNLITE OIL
DENISON MINES
NORTHWOOD MINING
NORTHWOOD MINING
GREAT PLAINS DEVELOPMENT CO.
BLACK HAWK MINING
JOHN GRANT
MARK V SYNDICATE
CLEARWATER RIVER
TWENTY THIRD BASE LINE
TWENTY SECOND BASE LINE
TWENTY FIRST BASE LINE
TWENTIETH BASE LINE
NINETEENTH BASE LINE
Uranium City
Eldorado
Beaverlodge
Gunnar
Fond du Lac
Buffalo Narrows
Churchill Lake
Peter Pond Lake
Lac La Loche
Ile-à-la-Crosse
Canoe Lake


WOLLASTON LAKE URANIUM AREA
CANADA
GULF OIL CORPORATION
GULF AND THE DYNAMIC GROUP
DYNAMIC PETROLEUM PRODUCTS LTD.
ROYAL CANADIAN VENTURES LTD.
MILL CITY PETROLEUMS LIMITED
CONSOLIDATED EAST CREST OIL COMPANY LIMITED
NEW CONTINENTAL OIL COMPANY OF CANADA
CRUSADE PETROLEUM CORPORATION LIMITED
DYNALTA OIL & GAS CO LTD.
THE DYNAMIC GROUP
DYNAMIC PETROLEUM PRODUCTS LTD. 80%
PERMO GAS AND OIL LIMITED 20%
ROYAL CANADIAN VENTURES LTD. 30%
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED 30%
EXCEL PETROLEUMS LTD. – 40% – SUBJECT TO AN EXPENDITURE BEFORE DECEMBER 31, 1972 OF $1,700,000 BY WAY OF EXPLORATION AND DEVELOPMENT
ROYAL CANADIAN VENTURES LTD. 50%
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED 50%
DENISON MINES LTD. ET. AL.
AVERAGE PERMIT SIZE – 192,000 ACRES (300 SQUARE MILES)
MILES 12 9 6 3 0 12 24 36 48 MILES
SCALE IN MILES
JANUARY 17, 1969
NOTE
THE PERMITS ON THIS MAP ARE IN THE NAMES OF THE COMPANIES AS SHOWN AND COMPILED FROM INFORMATION BELIEVED TO BE RELIABLE BUT NOT GUARANTEED.
NEW GULF OIL CORPORATION ACQUISITIONS WITH RESPECT TO THE INTERESTS OF THE DYNAMIC GROUP ARE NOT FULLY DETERMINED.
NORTHWEST TERRITORIES
MANITOBA
SASKATCHEWAN
REINDEER LAKE
DYNAMIC & PERMO
DENISON MINES
ROMAN CORP.
GOLDRAY MINES
ULSTER PETE.
GULF
GULF & DYNAMIC GROUP
ROYAL CAN VENTURES & NEW CONT OIL
DEJOUR MINES
FRANCANA OIL & GAS
PATHFINDER URANIUM & NICKEL MINES LTD.
CANADIAN INDUSTRIAL GAS & OIL
LINCOLN OILS
COUSIN MINERALS
LADUBORO OIL
ENSIGN OILS & FT. RELIANCE MINERALS
WESTERN LAND SERVICES
PHEASANT EXPL. LTD.
COUSINS MINERALS LTD.
CAN. PROPANE
BOZLAN OIL & GAS
NUMAC MINING
GREAT PLAINS DEV.
HUSKY OIL
VOYAGER PETE.
PARENT
RAINBOW OIL
SCURRY
GREAT PLAINS RESOURCES

ASSETS

	1968	1967
CURRENT		
Cash	$ 117,396	$ 55,111
Bank deposit receipt		475,000
Marketable securities - at cost (quoted market value 1968 - $49,104; 1967 - $51,892	66,526	70,555
Accounts receivable	131,840	241,703
Materials and supplies - at cost	7,977	1,377
	323,739	843,746
DUE FROM PARENT COMPANY		82,026
DEPOSITS AND OTHER		
Operating and performance deposits	68,687	64,611
Special 5% refundable tax	14,447	15,489
	83,134	80,100
INVESTMENTS AND ADVANCES		
Shares of and advances to wholly-owned subsidiaries at cost less amounts written off (Note 1)	20,004	20,004
Shares of Dynamic Petroleum Products Ltd. - at cost (Note 3)	2,215,000	1,500,000
	2,235,004	1,520,004
PROPERTY, PLANT AND EQUIPMENT - at cost		
Non-producing properties	223,959	260,975
Producing properties	376,338	261,821
Producing oil and gas wells	747,603	651,106
Shut-in oil and gas wells		195,707
Production and other equipment	348,474	325,767
	1,696,374	1,695,376
Less accumulated depreciation and depletion	534,809	623,277
	1,161,565	1,072,099
	$3,803,442	$3,597,975

See accompanying notes

Company of Canada Limited

HEET

with comparative figures at August 31, 1967)

LIABILITIES

	1968	1967
CURRENT:		
Accounts payable	$ 207,354	$ 213,866
Current maturities of bank loan	37,500	
	244,854	213,866
BANK LOAN (Note 4)	150,000	
Less instalments due within one year included in current liabilities	37,500	
	112,500	
SHAREHOLDERS' EQUITY:		
Capital (Note 5) -		
Authorized - 10,000,000 shares of no par value		
Issued - 6,070,000 shares (1967 - 6,040,000)	5,471,593	5,462,593
Deficit (Statement 2)	2,025,505	2,078,484
	3,446,088	3,384,109
	$3,803,442	$3,597,975

On behalf of the Board:

ARCHIE P. NEWALL, JR., Director.
R. C. BROWN, Director.

New Continental Oil Company of Canada Limited

STATEMENT OF INCOME AND DEFICIT

for the Year Ended August 31, 1968

(with comparative figures for 1967)

	1968	1967
REVENUE		
Crude oil and natural gas sales	$ 100,791	$ 99,941
Less operating expenses	58,577	45,401
	42,214	54,540
Royalties	250,237	247,144
Equipment rentals	7,138	5,368
Interest and dividends	21,851	32,395
	321,440	339,447
EXPENSE		
Administrative and general	41,491	56,465
Exploratory costs, lease rentals, etc.	122,402	136,429
Interest	8,329	
Other	177	1,957
	172,399	194,851
CASH EARNINGS FROM OPERATIONS	149,041	144,596
DEDUCT		
Depletion	29,047	50,163
Depreciation	15,165	17,034
Abandonments -		
Petroleum and natural gas interests	26,716	140,344
Well development costs	162,308	166,045
Loss on disposal of plant and equipment	7,404	35,333
Write down of advance to wholly-owned subsidiary		59,000
	240,640	467,919
ADD		
Gain on sale of properties	144,578	515,872
Gain on sale of securities		1,854
	144,578	517,726
NET PROFIT FOR THE YEAR (Note 7)	52,979	194,403
BALANCE OF DEFICIT, beginning of year	2,078,484	2,272,887
BALANCE OF DEFICIT, end of year	$2,025,505	$2,078,484

See accompanying notes.

New Continental Oil Company of Canada Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Year Ended August 31, 1968

(with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Cash earnings from operations	$ 149,041	$ 144,596
Sale of properties	199,052	525,599
Bank loan net of amount included in current liabilities	112,500	
Repayment of advance to parent company	82,026	(32,026)
Issue of shares on exercise of stock options	9,000	12,000
Repayment of advance by wholly-owned subsidiary . .		18,000
Sale of securities		1,855
Special refundable tax	1,042	
Total funds provided	552,661	670,024
APPLICATION OF FUNDS		
Shares of Dynamic Petroleum Products Ltd.	715,000	
Petroleum and natural gas interests	112,689	193,108
Well development and dry hole costs	235,874	237,928
Production and other equipment - net	36,017	7,560
Increase in deposits	4,076	29,327
Special refundable tax		11,784
Total funds applied	1,103,656	479,707
DECREASE (INCREASE) IN WORKING CAPITAL	550,995	(190,317)
WORKING CAPITAL, beginning of year	629,880	439,563
WORKING CAPITAL, end of year	$ 78,885	$ 629,880

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

August 31, 1968

1. Subsidiaries

The Company's investment in subsidiaries, none of which are active, exceeds the aggregate net assets of the subsidiaries by $16,907 at August 31, 1968.

2. Accounting Policy

The Company's policy is to capitalize the acquisition costs of petroleum and natural gas and mining interests together with development costs thereon. Carrying costs and exploration expenses are charged against income as incurred. Acquisition costs of producing properties together with related development costs and production equipment are written off on a unit of production basis. The costs of non-producing properties and unproductive development are charged against income in the year of abandonment.

3. Investment in Shares of Dynamic Petroleum Products Ltd.

The Company's investment in shares of Dynamic Petroleum Products Ltd. consists of 1,025,000 shares of which 650,000 were acquired from Dynamic during the year at a cost of $715,000.

The quoted market value of this investment was $1,537,000 ($1.50 per share) on August 31, 1968 and $2,941,750 ($2.87 per share) on December 16, 1968. Due to the number of shares involved, the market value is not necessarily indicative of the amount that could be realized if the shares were sold.

4. Bank Loan

Although the bank loan is evidenced by a demand note, the bank has indicated that it is prepared to accept monthly payments of $3,125. The loan is secured by the assignment of the Company's interest in certain oil and gas properties.

5. Capital

During the year the Company issued 30,000 common shares for $9,000 cash upon the exercise of employee stock options.

200,000 shares of the Company's capital stock were reserved at August 31, 1968 for exercise of options granted to employees to purchase shares as follows:

100,000 shares at $.30 per share exercisable on various dates to April 21, 1972.
50,000 shares at $.50 per share exercisable on various dates to January 6, 1973.
50,000 shares at $.56 per share exercisable on various dates to November 16, 1973.

6. Remuneration of Directors and Senior Officers

The Company bears a portion of the total remuneration paid to its directors and senior officers who are paid by an affiliated company. The amount of such remuneration allocated to the Company during the year amounted to $25,347 and is included in administrative and general expense.

7. Income Taxes

Under Canadian income tax law, exploration and development expenditures including acquisition costs of oil and gas properties may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the year ended August 31, 1968 and at that date an amount of approximately $300,000, consisting of the excess of such expenditures, depletion on royalty income and capital cost allowances in respect of depreciable property, was available to be carried forward against future taxable income.

AUDITORS' REPORT

To the Shareholders of
New Continental Oil Company of Canada Limited.

We have examined the balance sheet of New Continental Oil Company of Canada Limited as at August 31, 1968 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 31, 1968, the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants

Calgary, Alberta
December 17, 1968.

ıL OIL COMPANY OF CANADA LIMITED

ɾt for the Six Months ended February 29

ıT OF INCOME AND EXPENSES

	1968	1967
;as sales less royalties	$ 49,296	$ 53,713
enses	23,835	18,734
	25,461	34,979
. . . .	124,681	115,094
. . . .	12,834	11,025
. . . .	2,902	2,302
	165,878	163,400
eral	19,940	33,907
; rentals, dry hole costs, etc.	76,921	57,635
	96,861	91,542
ıtions	69,017	71,858
ˋ Capital Assets	126,660	756
	195,677	72,614
equipment retirements . . .	—	35,233
ıts	9,072	100,030
depletion	33,500	35,400
	42,572	170,663
period	$153,105	$(98,049)

ˋ SOURCE AND APPLICATION OF FUNDS

erations	$ 69,017	$ 71,858
properties	183,287	756
nce by parent company . .	82,026	(15,000)
performance deposits . . .	16,937	(43,783)
	351,267	13,831
ıares of Dynamic Petroleum		
. . . .	715,000	—
gas interests	112,011	17,062
ts	110,634	53,919
equipment — net	41,464	3,374
. . . .	1,737	11,493
	980,846	85,848
:al	629,579	72,017
ıg of period	629,880	439,562
eriod	$ 301	$367,545

ıbject to adjustment at year-end)

AR12

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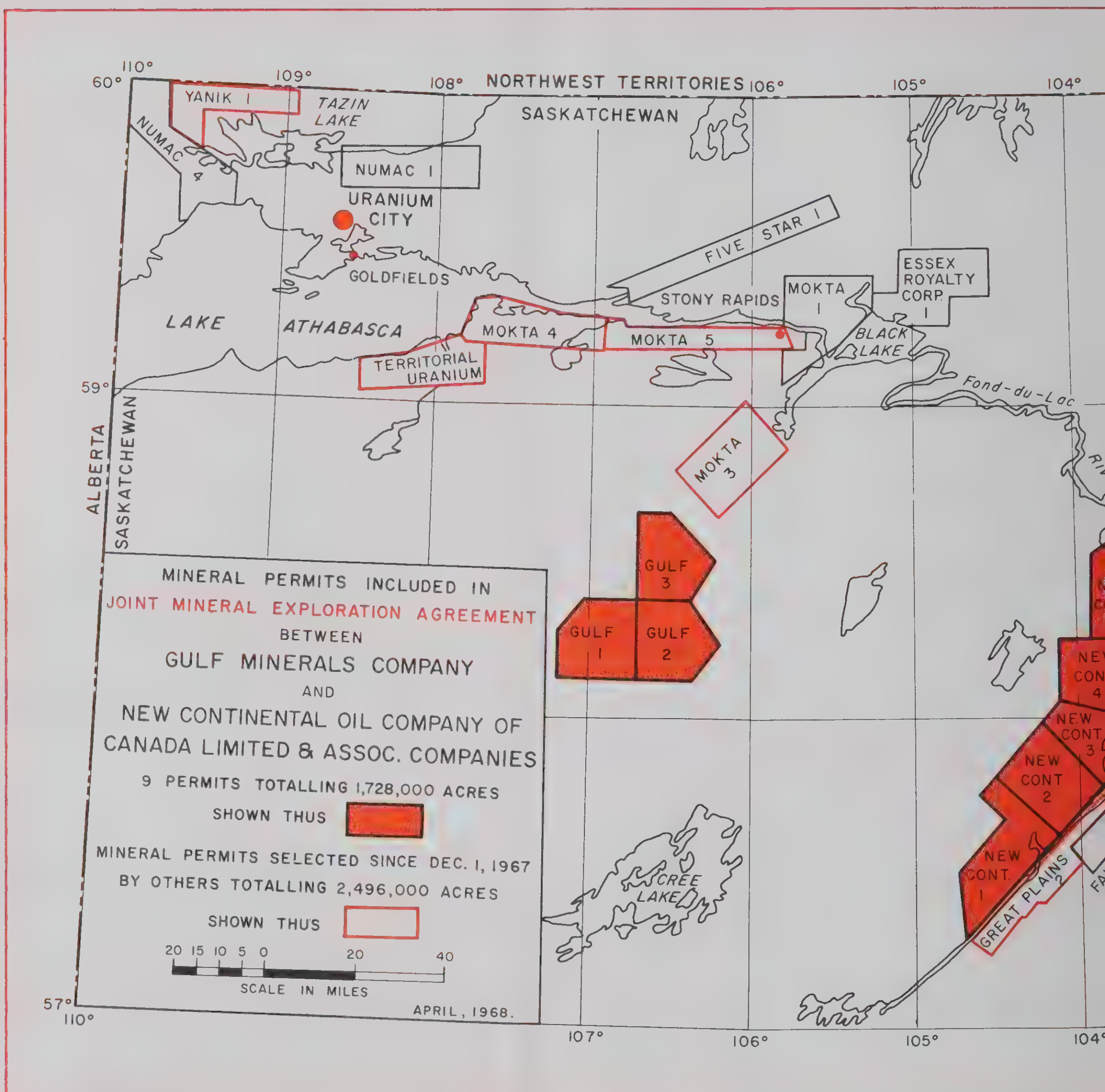
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED

INTERIM REPORT

February 29th, 1968

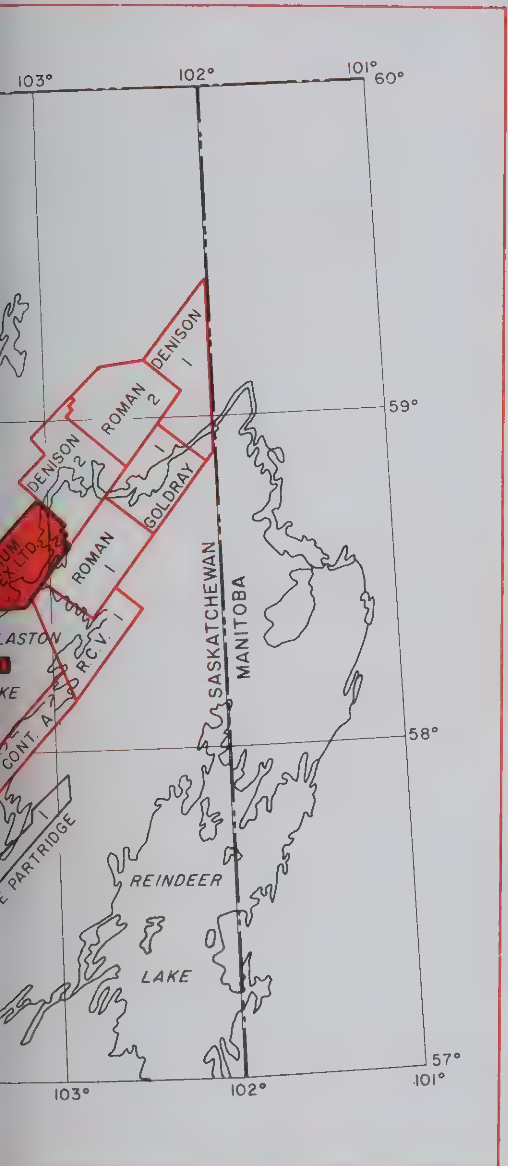


TO THE SHAREHOLDERS:

MINING

Saskatchewan Uranium Survey

Early in 1967, New Continental and associated companies entered an agreement with the Government of Saskatchewan, to conduct an extensive Uranium Exploration program in the Athabasca Sandstone area of Northern Saskatchewan. This is a large, relatively uninhabited area to the south and east of Lake Athabasca and Uranium City. Approximately 15,000 linear miles of traverses were flown using the Company's own aircraft with the



latest and most modern Uranium detection equipment installed. The program continued throughout the summer and fall of that year and was suspended in October 1967 when bad weather continued to make low level flying unsafe. The preliminary survey, however, was completed. New Continental was the Operator of this project.

To date, the results of the Uranium Exploration program are encouraging and support the Athabasca Sandstone theory. On November 30, 1967, New Continental Oil Company of Canada Limited on behalf of itself, Consolidated East Crest, and other associated companies, made application for five mineral exploration permits, totalling 960,000 acres. On December 1, 1967, the Denison group of Companies, namely, Denison Mines Ltd., Roman Corporation, and Goldray Mines Ltd., made application for five mineral exploration permits totalling 960,000 acres on trend and due northeast of those taken by New Continental and Associates. Great Plains applied for one permit (192,000 acres) adjoining those of New Continental on the southeast and between New Continental and Falconbridge Nickle Mines Ltd. Mokta (Canada) Ltd. made application for three mineral exploration permits totalling 576,000 acres on the northern part of the Athabasca Sandstone area. All of the permits applied for have since been granted and are shown on the map which is part of this report.

At this point, we would like to make it quite clear that the mineral exploration permits referred to herein, and which were acquired by New Continental Oil Company, Consolidated East Crest, and Associates, give the holders the right not only to prospect for Uranium, but for all minerals. Exploration work being conducted in the general area by others indicates the presence of base metals; therefore, future exploration programs will be designed to evaluate the permit lands for these minerals as well as for Uranium.

Seigel Associates Limited, Toronto, have been retained by the group as Consulting Geophysicists, and have been mainly responsible for interpreting the results of this survey.

Joint Mineral Exploration Program – Saskatchewan

Since December 1, 1967, eight additional mineral exploration permits have been applied for and issued, totalling 1,536,000 acres in the same general area as those referred to previously herein. The location of these and all permits referred to herein, and the names of the respective permitees are shown on the map included in this report.

New Continental and Associates have recently completed a joint mineral exploration agreement with Gulf Minerals Company, a wholly owned subsidiary of Gulf Oil Corporation, Pittsburgh, U.S.A., involving all of the mineral exploration permits of New Continental and Associates in the Athabasca Sandstone area of Northern Saskatchewan.

Under the terms of this Agreement:

- Gulf acquired three additional mineral exploration permits which were then pooled with the six permits held by New Continental and Associates, to give a total of 1,728,000 acres of pooled permits.
- Gulf reimbursed New Continental and Associates for all of their exploration costs to date.
- Gulf replaced deposits which had been posted by New Continental and Associates with the Government of Saskatchewan to guarantee performance.
- Gulf agreed, at its sole cost and expense, to explore the permit lands for the purpose of locating economically attractive deposits of minerals. If such deposits are found to exist in the lands, Gulf shall develop the deposits, construct and operate mines, concentrators and support facilities for the purpose of producing mineral concentrates.
- New Continental and Associates, as to a one-eighth interest each, retained a substantial net profits interest as follows:
  - A 10% net profits interest until Gulf recovers its investment.
  - A 20% net profits interest thereafter.

Preparations are presently being made by Gulf Minerals Company for an early start on its 1968 mineral exploration program, under the terms of the joint mineral exploration agreement.

EXPLORATION AND DEVELOPMENT

Rainbow Lake Area, Alberta

At a Crown sale held August 1, 1967, New Continental Oil Company of Canada Limited and Associates, Consolidated East Crest Oil Company Limited and Dynamic Petroleum Products Ltd., each as to an undivided 33-1/3% working interest, acquired three P. & N. G. leases in the Rainbow Lake area of Alberta, comprising 640 acres, being the NE¼ of 32, the W½ of 33, and the NE¼ of 28 in Township 110, Range 7, West of the 6th Meridian, for a bonus payment of $527,928.00 ($175,976.00 net to New Continental). At December 31, 1967, three successful Keg River reef oil wells had been drilled involving an additional capital expenditure of $144,400.00 net to the Company.

At a Crown sale held January 30, 1968, New Continental and Associates each as to an undivided 33-1/3% interest, acquired two P. & N. G. leases comprising 480 acres in the Rainbow Lake area, being the W½ of 9 and the NW¼ of 34 in Township 110, Range 7, West of the 6th Meridian, for a total bonus consideration of $330,000.00 ($110,000.00 net to New Continental).

The Companies plan to develop these properties in the near future, by the drilling of three or four additional wells.

Respectfully Submitted
On behalf of the Board of Directors
ARCHIE P. NEWALL, Jr., President

Calgary, Alberta
April 19, 1968

NEW CONTINENT

Unaudited Rep

STATEME

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Crude oil and natural
Less production ex

Royalties . . . .
Interest and dividends
Other . . . .

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Exploratory costs, lea

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installed. The program continued throughout the summer and fall of this year and was suspended in October when bad weather continued to make low level flying unsafe. The preliminary survey, however, was completed.

To date, the results of the Uranium Exploration program are encouraging and support the Athabasca Sandstone theory. On November 30, 1967, New Continental Oil Company of Canada Limited on behalf of itself and associated companies, made application for five mineral exploration permits, totalling 960,000 acres, as shown on the map accompanying this report. On December 1, 1967, the Denison group of Companies, namely, Denison Mines Ltd., Roman Corporation, and Goldray Mines Ltd., made application for five mineral exploration permits, totalling 960,000 acres, on trend and due northeast of those taken by New Continental and associates. Great Plains applied for one permit (192,000 acres) adjoining those of New Continental on the southeast and between New Continental and Falconbridge Nickle Mines Ltd. Mokta (Canada) Ltd. made application for three mineral exploration permits totalling 576,000 acres on the northern part of the Athabasca Sandstone area. All of these permits are shown on the map accompanying this report.

At this point, we would like to make it quite clear that the mineral exploration permits referred to herein, and which were acquired by New Continental Oil Company and associates, as well as the other companies mentioned, give the holders the right not only to prospect for Uranium but for all minerals. Exploration work being conducted in the general area by others indicates the presence of base metals; therefore, our future exploration program will be designed to evaluate the permit lands for these minerals as well as for Uranium.

New Continental Oil Company of Canada Limited, and six associated companies have shared, and will continue to share, the cost of the Saskatchewan mineral exploration program on the basis of one-seventh each. The Associated Companies involved are:

Royal Canadian Ventures Ltd.
Mill City Petroleums Limited
Dynamic Petroleum Products Ltd.
Consolidated East Crest Oil Company Limited
Crusade Petroleum Corporation Limited
Dynalta Oil & Gas Co. Ltd.

Seigel Associates Limited of Toronto have been retained by the group as Consulting Geophysicists, and have been mainly responsible for interpreting the results of the survey.

At the present time, plans are being made for a more detailed and expanded exploration program for 1968.

Respectfully submitted,
On Behalf of the Board of Directors
ARCHIE P. NEWALL, JR., President.

Calgary, Alberta
December 15, 1967.

Humphries Printing

file

SPECIAL REPORT

OF

NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED

AND ASSOCIATED COMPANIES:

Royal Canadian Ventures Ltd.

Mill City Petroleums Limited

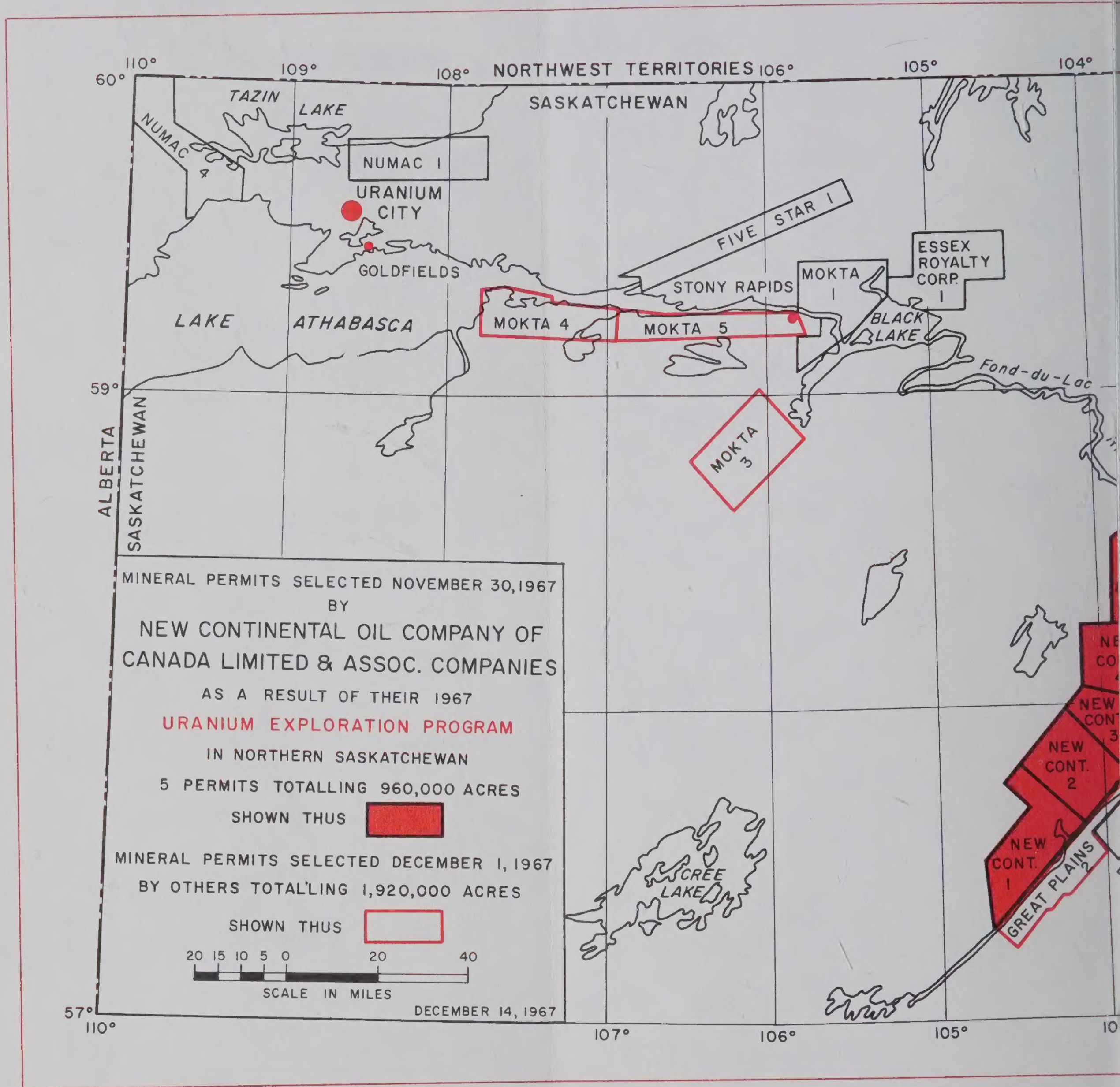
Dynamic Petroleum Products Ltd.

Consolidated East Crest Oil Company Limited

Crusade Petroleum Corporation Limited

Dynalta Oil & Gas Co. Ltd.

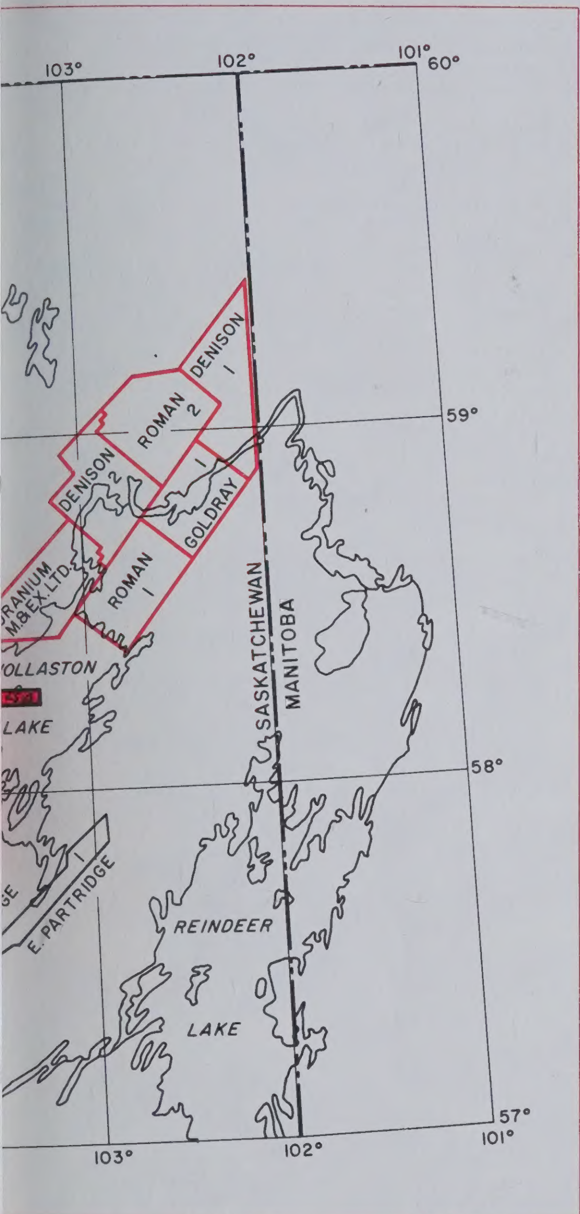
DECEMBER 15th 1967



TO THE SHAREHOLDERS:

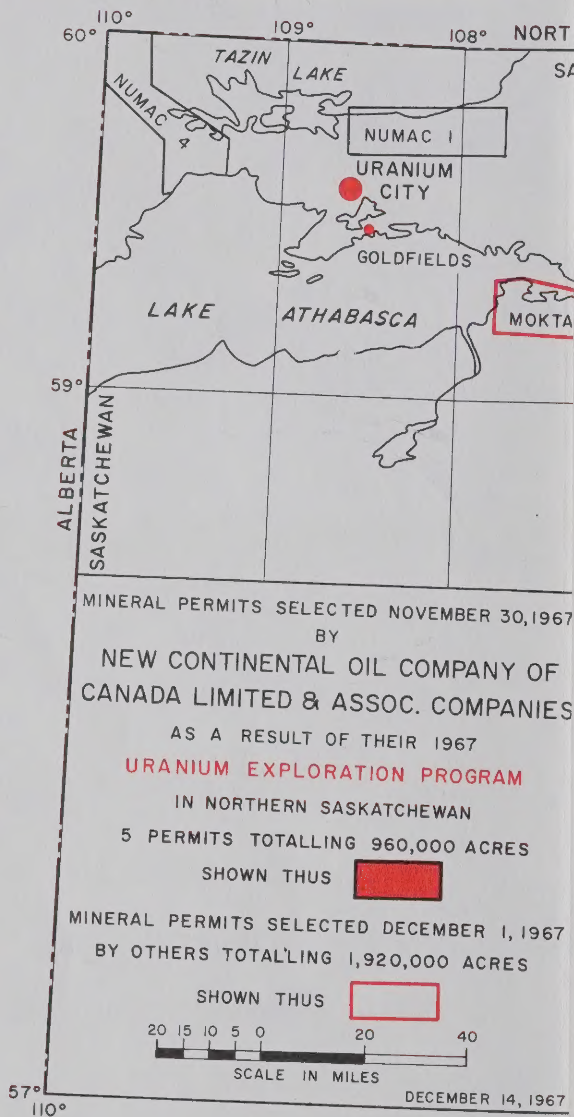
Early this year the Special Projects Division of New Continental Oil Company of Canada Limited and associated companies, made a detailed study of the present world Uranium situation. As a result, the following features were indicated:

- The present world reserves of Uranium are insufficient to meet the rapidly increasing world demand beyond 1973 to 1975.
- The current price level is too low to encourage exploration for new reserves.



- The major markets outside the United States, that is Europe and Japan, have no reserves of Uranium and thus will have to be major importers.

- The United States has markets in excess of its relatively large reserves, and thus will not market Uranium but instead will be a purchaser.



TO THE SHAREHOLDERS:

Early this year the Special Projects Division of New Continental Oil Company of Canada Limited and associated companies, made a detailed study of the present world Uranium situation. As a result, the following features were indicated:

- Canada today has known reserves of Uranium greater than any other country, with large areas of potential Uranium lands yet unexplored.
- South Africa, with proven reserves next in line to Canada and the United States, will not be a major producer in relation to the other two.
- Since five to seven years lead time are required to explore, develop, mine, and manufacture ultimate fuel from Uranium, it would appear that 1968 will be one of the most active years which the industry has ever known for worldwide Uranium exploration.
- The price of Uranium, now in the $5.00 to $6.00 range, will probably advance 50¢ to $1.00 per year for the next few years, and we anticipate that by 1973 the current long-term contract price per pound of U-308 will be $8.00 to $10.00. There is almost no likelihood of a major development depressing this price level because of the demand, the economic control on the product, and the price position of competative fuels.
- Because of the temperate political situation in Canada, the majority of world wide exploration will take place in the Canadian Shield area.
- Major American, European and Japanese interests will become financially involved, even to a control position, in the future Canadian Uranium industry.

It being generally agreed that the price and demand for Uranium would increase substantially in the near future, it appeared logical that New Continental and associates would be well advised to diversify their operations by entering the Uranium exploration field. Further studies were made of all possible potential Uranium bearing areas of Canada, and as a result it was decided that the Athabasca Sandstone area of Northern Saskatchewan appeared to be a most likely prospect.

Most of the world's Uranium occurs in sedimentary rocks, often in basal conglomerates overlying basement. The Blind River and South African deposits are of this type; the Colorado deposits occur in flat lying, continental sandstones. It was not unreasonable to assume that similar deposits are possible in the Athabasca Sandstone, and indeed a minor occurrence of this type had already been documented. Detailed geological studies made by your Company's own Geological Department and Special Projects Division, indicated that conditions in the Athabasca Sandstone could be very favorable.

New Continental Oil Company of Canada Limited and associated companies then entered an Agreement with the Government of Saskatchewan, to conduct an extensive Uranium Exploration program in the Athabasca Sandstone area of Northern Saskatchewan. This is a large, relatively uninhabited area to the south and east of Lake Athabasca and Uranium City. Approximately 15,000 linear miles of traverses were flown using the Company's own aircraft with the latest and most modern Uranium detection equipment